



Foreign Agricultural Service

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## Venezuela

### Grain and Feed

## Rice Imports Expected at Year End 2002

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#### Report Highlights:

**Rice production estimates are reduced this month due to lack of water for the major irrigation district in Venezuela where rice is planted. Due to lower production, Venezuela will need to import rice in 2002 if it does not want to face limited supplies to consumers. Current rice supplies and stocks are sufficient for several months, but will become tight late in the year. It is unclear whether importers will favor rough, brown or milled rice.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Caracas [VE1], VE

## **Guárico Rice Production Minimal**

Ag Affairs Office staff and a representative of the U.S. Rice Federation traveled to Portuguesa and Guárico states in mid-May to review the rice production and supply situation. Portuguesa is the most important producing state, accounting for 58 percent of total production, while Guárico State produces 34 percent. After meeting with the major producer associations, and several rice mills, post is dropping its estimates for rice production for 2002 and 2003 due to dramatically reduced water supplies to the Calabozo irrigation district in Guárico state.

Area planted to rice in Portuguesa State for 2002 is still estimated at 75,000 hectares slightly higher than last year with estimated better yields. However, in Guárico, area planted is expected to only reach 30,000 hectares for the two planting seasons combined - less than half of what this 38,000 hectare irrigation district normally produces. For the current rainy season, estimates are that 15,000 to 25,000 hectares will be planted as the district is investing in more wells to provide the water needed to flood the fields. But the water table is low and wells are proving to be difficult and expensive.

Then in the fall, the dry season crop is totally dependent upon water from the irrigation system. But the reservoir levels are well below the levels of the canals and have been since the fall of 2001. Last fall only 8,000 hectares were planted, and with irrigation canals totally dry only those farms with high-producing deep wells will be able to plant. Therefore our estimate for 2002 planted area is only 105,000 hectares, and estimated rough rice production is reduced to 525,000 tons. See VE2007 for further information.

For 2003, Post no longer expects rice production to recover significantly. The reservoir for the Guárico producing area is fed by the same river that feeds the Camatagua reservoir, the main reservoir for Caracas. The Camatagua water supply is 70 percent below normal levels, and the first priority will be to restore supplies for Caracas. Producers estimate that it may take at least two years of above normal rains before the Guárico reservoir is restored. Therefore, we are reducing estimates for area planted in 2003 to 110,000 hectares and reducing rough production to 550,000 tons. While there may be some shift into rice from corn in Portuguesa state that conversion is not easy to make. In addition, current price signals tend to favor corn plantings over rice plantings.

GOV expectations differ from FAS/Caracas estimates. In his weekly radio and TV program on June, 9th, Venezuelan President Hugo Chavez praised the achievement of his administration in the grain (corn, rice and sorghum) sector. He pointed out the increase in area harvested for grains from 672,000 hectares in 1999 to 907,000 hectares in 2000. However, he mentioned that the area harvested decreased a little bit in 2001, but did not mention the figures. He also said that the GOV expects to maintain the area harvested at around 775,000 hectares in 2002, and that the increase in the grain production will help Venezuela to be self sufficient in the near future.

## **Government Still Promoting Rice Consumption**

The government continues to promote rice consumption since it has been a domestically produced crop. But per capita consumption is still relatively low at 18 kg since rice is more

expensive than pasta. Given the current poor economic environment it is difficult to envision much growth in demand for rice. But in order to support local rice farmers, the government has been trying to force the incorporation of rice flour in the elaboration of bread and pastas. Some companies are already working on the blend of rice and wheat for making pasta, and Polar, one of the largest companies in Venezuela, is test marketing a new brand in the western part of the country.

### **Imports Expected Late in the Year**

Given the gloomy outlook for production, and the continued push to promote consumption, it is even more likely that Venezuela will need to import rice before the end of the year. Venezuela has not imported significant quantities of rice since 1996 and the shift to imports will be difficult in light of the government's focus on promoting the use of domestic products. In addition, the GOV, through the application of the basic import duty and the Andean Community's price band and reference prices, discourages rice imports from countries outside the Andean Community.

Post estimates that millers currently have about four months work of stocks, and that stocks will be drawn down to low levels before imports occur. But we anticipate at least a small amount of imports before the end of this calendar year in order to maintain consumption and avoid an extreme increase in prices. Whether the product will be imported in the form of rough, brown or white rice is still not clear. Venezuela clearly has the milling capacity to handle rough and/or brown rice.

While imports are not expected to exceed 25,000 tons this year, Post forecast that Venezuela will need to import 100,000 tons of rice in 2003 just to be able to maintain consumption levels.

PSD Table						
Country	Venezuela					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	147	147	120	105	135	110
Beginning Stocks	170	170	125	125	132	46
Milled Production	500	500	407	356	441	375
Rough Production	737	737	600	525	650	550
MILLING RATE (.9999)	6786	6786	6786	6786	6786	6786
TOTAL Imports	0	0	60	25	60	100
Jan-Dec Imports	0	0	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	670	670	592	506	633	521
TOTAL Exports	70	70	0	0	50	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	475	475	460	460	470	470
Ending Stocks	125	125	132	46	113	51
TOTAL DISTRIBUTION	670	670	592	506	633	521